

*MWD*

PREPARED BY: Sandy Sostad  
DATE PREPARED: April 01, 2011  
PHONE: 471-0054

**LB 73**

Revision: 01

Revised on 4/1/11 to correct error regarding state aid to education and to add DOI response.

# FISCAL NOTE

LEGISLATIVE FISCAL ANALYST ESTIMATE

### ESTIMATE OF FISCAL IMPACT – STATE AGENCIES \*

	FY 2011-12		FY 2012-13	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	(\$1,950,000)	\$2,600,000	(\$1,950,000)	\$2,600,000
CASH FUNDS				
FEDERAL FUNDS				
CHIP DISTRIBUTIVE FUND	\$100,000 - \$150,000		\$100,000 - \$150,000	
TOTAL FUNDS	(\$1,850,000 - \$1,800,000)	\$2,600,000	(\$1,850,000 - \$1,800,000)	\$2,600,000

\*Does not include any impact on political subdivisions. See narrative for political subdivision estimates.

LB 73 pertains to the Comprehensive Health Insurance Pool Act (CHIP). The bill broadens the definition of entities that may bid to become the pool administrator to include health maintenance organizations and third-party administrators. The bill also repeals current language regarding health care provider reimbursement rates and requires that provider reimbursement rates for pool covered services be set at rates equivalent to 125% of medicare reimbursement, not later than January 1, 2012.

**Revenue:** The Department of Insurance indicates that provider reimbursement rates are now set at prevailing rates paid by commercial insurers. The change to rates at 125% of medicare reimbursement will reduce CHIP expenditures by an estimated \$6.5 to \$18 million per year, as estimated by the Department of Insurance.

Premium taxes paid by health insurers are used to fund CHIP. Any premium taxes not used for CHIP are allocated as follows: General Fund (40%); Mutual Finance Assistance Fund (10%); and, 50% of the receipts are deposited in the Insurance Tax Fund. This fund is allocated to counties (10%), cities (30%) and schools (60%).

Using the minimum projected increase in revenue of \$6.5 million per year and assuming CHIP provider reimbursement rates are set at 125% of medicare reimbursement at the beginning of FY2011-12, increased annual revenue for the affected entities is estimated to total \$2.6 million for the General Fund; \$650,000 for the Mutual Finance Assistance Fund; \$325,000 for counties; \$975,000 for cities; and \$1,950,000 for schools. Additional revenue for schools decreases the amount of general funds needed for state aid to education.

**Expenditures:** The Department of Insurance indicates the bill may increase annual CHIP expenditures by an estimated \$100,000 to \$150,000 to calculate rates as required and create a new network of contracted health care providers.

There is no determinable fiscal impact for CHIP if additional entities are allowed to bid to be the pool administrator. However, it is possible a change in the administrator may impact expenditures of the pool.

#### DEPARTMENT OF ADMINISTRATIVE SERVICES

REVIEWED BY	Gary Bush	DATE	1/18/11	PHONE	471-2526
COMMENTS					
DEPARTMENT OF INSURANCE: Agency's estimate of impact appears to be reasonable.					

Please complete **ALL** (5) blanks in the first three lines.

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LB<sup>(1)</sup> 73 **FISCAL NOTE**

JAN 10 2011

LEGISLATIVE BUDGET

State Agency OR Political Subdivision Name: <sup>(2)</sup> Department of Insurance

Prepared by: <sup>(3)</sup> Eric Dunning Date Prepared: <sup>(4)</sup> 01/10/11 Phone: <sup>(5)</sup> 471-4650

**ESTIMATE PROVIDED BY STATE AGENCY OR POLITICAL SUBDIVISION**

	FY 2011-2012		FY 2012-2013	
	EXPENDITURES	REVENUE	EXPENDITURES	REVENUE
GENERAL FUNDS	_____	_____	_____	_____
CASH FUNDS	_____	_____	_____	_____
FEDERAL FUNDS	_____	_____	_____	_____
OTHER FUNDS	<u>(\$6,500,000)</u>	_____	<u>\$6,500,000</u>	_____

**Return by date specified or 72 hours prior to public hearing, whichever is earlier.**

**Explanation of Estimate:**

Assuming that the adjustment to provider reimbursement levels would take place July 1, 2011, CHIP would reduce expenditures from the CHIP Distributed Fund by a range of approximately \$6.5 million to \$18 million per year according to estimates. For the purposes of this fiscal note, the Department used the lower estimate. Pursuant to Neb. Rev. Stat. § 77-912, the distribution of premium taxes paid by insurers which is otherwise not used the CHIP Distributive Fund is 40% to the General Fund, 10% to the Mutual Assistance Fund for legislative appropriation, and 50% to the Insurance Tax Fund. Of the Insurance Tax Fund, the distribution is 10% to counties, 30% to the Municipal Equalization Fund, and 60% distributed under TEEOSA. The following table shows the breakdown of the distribution of the premium taxes.

General Fund	40%	2,600,000
MFA	10%	650,000
County	5%	325,000
Muni	15%	975,000
TEEOSA	30%	1,950,000
<b>Total</b>	<b>100%</b>	<b>6,500,000</b>

In 2009, the administrator advised the Department of Insurance that creation of a new network of contracted health care providers, as well as adjustments to calculation of the reimbursement rates may drive increased costs. They estimated this as between \$100,000 and \$150,000 per year. Based on the experience of our actuarial assistant, the Department believes this number to be low. Expenditures would be for expenses of the contract administrator to create and maintain a provider network

**MAJOR OBJECTS OF EXPENDITURE**

**Personal Services:**

POSITION TITLE	NUMBER OF POSITIONS		2011-2012 EXPENDITURES	2012-2013 EXPENDITURES
	11-12	12-13		
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
Benefits.....	_____	_____	_____	_____
Operating.....	_____	_____	_____	_____
Travel.....	_____	_____	_____	_____
Capital outlay.....	_____	_____	_____	_____
Aid.....	_____	_____	(\$6.5 million)	(\$6.5 million)
Capital improvements.....	_____	_____	_____	_____
<b>TOTAL.....</b>	_____	_____	(\$6.5 million)	(\$6.5 million)